

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Moorland Township</b>	County <b>Muskegon</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>5/17/06</b>	Date Accountant Report Submitted to State: <b>6/20/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

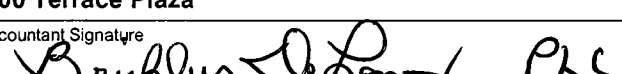
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Brickley Delong, PLC</b>			
Street Address <b>500 Terrace Plaza</b>	City <b>Muskegon</b>	State <b>MI</b>	ZIP <b>49443</b>
Accountant Signature 		Date <b>6/20/06</b>	

Moorland Township  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2006

Moorland Township

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As management of Moorland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Moorland Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

Moorland Township's General Fund expenditures exceeded revenue by \$43,174. The decrease in fund balance in the General Fund is due to an increase in road work done within the Township.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Moorland Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Moorland Township include general government, public works, public safety and community and economic development activities.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Moorland Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Moorland Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Fire Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Moorland Township. Current assets decreased during the year due to an increase in expenses for road work during the year and a decrease in current liabilities. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2006, the Township's net assets from governmental activities totaled \$887,072. The net assets are comprised of two parts, invested in capital assets, net of related debt of \$278,849, which represent the net investment the Township has in fixed asset less accumulated depreciation and related debt. The balance of the net assets is unrestricted.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets, net of related debt (i.e., buildings, land, fire equipment and office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$608,223. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Assets**

	Governmental Activities	
	2006	2005
Current assets and other assets	\$ 610,652	\$ 644,643
Capital assets	300,536	301,690
Total assets	911,188	946,333
Current liabilities	6,638	26,438
Noncurrent liabilities	17,478	21,342
Total liabilities	24,116	47,780
Net assets		
Invested in capital assets, net of related debt	278,849	276,448
Unrestricted	608,223	622,105
Total net assets	\$ 887,072	\$ 898,553

**Governmental Activities**

Charges for services revenues increased due to an increase in impact fees received from Muskegon County. General government expenses decrease due to a drop in legal fees. Public works expenses increased due to a significant increase in road work performed during the year. With all of the Township's governmental operations combined, the net result was that its operating expenditures exceeded its operating revenue, producing the resulting net assets.

The following table depicts this occurrence which was discussed above.

**Change in Net Assets**

	Governmental activities	
	2006	2005
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 46,181	\$ 38,528
Capital grants and contributions	-	7,500
General revenues		
Property taxes	135,295	130,487
Franchise fees	120,850	122,066
Unrestricted investment earning	14,273	4,832
Miscellaneous	7,839	7,125
<b>Total revenues</b>	<b>324,438</b>	<b>310,538</b>
<b>Expenses:</b>		
General government	116,237	167,326
Public safety	74,024	67,623
Public works	137,726	22,330
Community and economic development	6,378	9,970
Interest on long-term debt	1,554	1,764
<b>Total expenses</b>	<b>335,919</b>	<b>269,013</b>
<b>Change in net assets</b>	<b>(11,481)</b>	<b>41,525</b>
<b>Net assets - Beginning</b>	<b>898,553</b>	<b>857,028</b>
<b>Net assets - Ending</b>	<b>\$ 887,072</b>	<b>\$ 898,553</b>

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Moorland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Moorland Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, Moorland Township governmental funds reported a combined reserved and unreserved fund balance of \$608,223. This number represents the unreserved fund balance of \$477,258 in the General Fund and \$120,003 in the Fire Fund. The balance of \$10,962 is reserved for prepaid expenditures.

### General Fund Budget

During the current fiscal year, the Township made several small amendments to its original budget. All the increases in the budget were completely offset by a decrease in the contingency budget.

The following comments summarize the major variations from the final budget to actual expenditures.

### General Fund

- The Township Board line item was under budget due to anticipated legal fees not being realized.
- Cemetery budget was under budget due to lower maintenance and wage costs. The wages were lower than expected due to a position being vacant for part of the year.
- The Inspection Department budget ended up under budget due the Township using a third party to perform the inspections.
- Road expenditures were under budget due to not completing all the anticipated projects.
- Sanitary Landfill was less than budgeted due to the township issuing less passes to the landfill.
- The contingency budget is a set aside for any unexpected expenditure the township may incur during the year. In the current year, there were no large unexpected expenditures.

### Fire Fund

- Fire department expenditures were less than anticipated because of a decrease in maintenance cost and a drop in wages due to a decrease in volunteer fire fighters.
- Capital outlay expenditures were under budget due an anticipated office expansion in the fire department not occurring.



**Capital Assets**

Moorland Township investment in capital assets for its governmental activities as of March 31, 2006 totaled \$300,536 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and fire equipment. The township's capital asset additions were for office equipment, remodeling of the Township offices and purchase of breathing gear for the fire department. All these additions were offset by normal depreciation resulting in a slight decrease in overall capital assets.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental activities	
	2006	2005
Land	\$ 22,500	\$ 22,500
Buildings and improvements	45,579	38,893
Furniture and equipment	12,139	7,265
Fire equipment	220,318	233,032
Total	<u>\$ 300,536</u>	<u>\$ 301,690</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

**Long-term debt**

The Township's long-term debt as of March 31, 2006 consists of one installment purchase agreement related to the purchase of a fire truck. The balance is \$21,687 as of March 31, 2006. Additional information is provided in Note E of the financial statements.

**General Economic Overview**

The Township's General Fund is comprised of two major revenue sources; state revenue sharing and property tax revenue. Those two sources comprised approximately 72% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to remain flat and property tax revenues are expected to increase approximately 5%.

The Township anticipates doing more road work and re-carpeting an area of the Township Hall.

**Requests for Information**

This financial report is designed to provide a general overview of the Moorland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Moorland Township, 12416 E. Apple Ave., Ravenna, MI 49451, (231) 853-2015.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

May 17, 2006

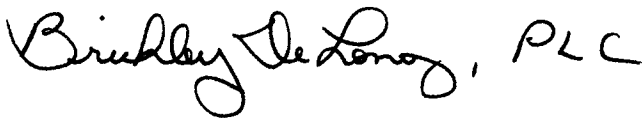
Township Board  
Moorland Township  
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Moorland Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moorland Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Moorland Township, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 18 and 19 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Moorland Township  
**STATEMENT OF NET ASSETS**  
 March 31, 2006

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 554,683
Accounts receivable	466
Due from other governmental units	44,541
Prepaid items	<u>10,962</u>
Total current assets	610,652
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	22,500
Depreciable	<u>278,036</u>
Total noncurrent assets	<u>300,536</u>
Total assets	911,188
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	2,429
Bonds and other obligations due within one year	<u>4,209</u>
Total current liabilities	6,638
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>17,478</u>
Total liabilities	<u>24,116</u>
NET ASSETS	
Invested in capital assets, net of related debt	278,849
Unrestricted	<u>608,223</u>
Total net assets	<u><u>\$ 887,072</u></u>

The accompanying notes are an integral part of this statement.

Moorland Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2006

<i><b>Functions/Programs</b></i>	<u>Expenses</u>	<u>Program Revenue Charges for services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental activities</u>
Governmental activities			
General government	\$ 116,237	\$ 9,396	\$ (106,841)
Public safety	74,024	36,785	(37,239)
Public works	137,726	-	(137,726)
Community and economic development	6,378	-	(6,378)
Interest on long-term debt	1,554	-	(1,554)
Total government	<u>\$ 335,919</u>	<u>\$ 46,181</u>	(289,738)
General revenues			
Property taxes, levied for			
General purposes			49,764
Fire protection			85,531
Grants and contributions not restricted to specific programs			120,850
Unrestricted investment earnings			14,273
Miscellaneous			7,839
Total general revenues			<u>278,257</u>
Change in net assets			(11,481)
Net assets at April 1, 2005			<u>898,553</u>
Net assets at March 31, 2006			<u>\$ 887,072</u>

The accompanying notes are an integral part of this statement.

Moorland Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2006

	General Fund	Fire Fund	Total governmental funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 461,186	\$ 93,497	\$ 554,683
Accounts receivable	466	-	466
Due from other funds	-	11,266	11,266
Due from other governmental units	27,881	16,660	44,541
Prepaid items	4,165	6,797	10,962
Total assets	<u>\$ 493,698</u>	<u>\$ 128,220</u>	<u>\$ 621,918</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ 11,266	\$ -	\$ 11,266
Accrued liabilities	1,009	1,420	2,429
Total liabilities	12,275	1,420	13,695
Fund balances			
Reserved for prepaid items	4,165	6,797	10,962
Unreserved, reported in			
General Fund	477,258	-	477,258
Special revenue funds	-	120,003	120,003
Total fund balances	481,423	126,800	608,223
Total liabilities and fund balances	<u>\$ 493,698</u>	<u>\$ 128,220</u>	<u>\$ 621,918</u>

The accompanying notes are an integral part of this statement.

Moorland Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2006

Total fund balance—governmental funds	\$ 608,223
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 590,093	
Accumulated depreciation	<u>(289,557)</u>	300,536

Long-term liabilities in governmental activities are not due and payable in the  
current period and are not reported in the governmental funds.

<u>(21,687)</u>
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Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>887,072</u></u>
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The accompanying notes are an integral part of this statement.

Moorland Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended March 31, 2006

	General Fund	Fire Fund	Total governmental funds
REVENUES			
Property taxes	\$ 49,764	\$ 85,531	\$ 135,295
Licenses and permits	6,856	-	6,856
Intergovernmental revenues			
State	120,850	-	120,850
Local	34,474	-	34,474
Charges for services	1,540	-	1,540
Investment earnings	13,646	627	14,273
Other	9,879	2,311	12,190
Total revenues	237,009	88,469	325,478
EXPENDITURES			
Current			
General government	103,453	-	103,453
Public safety	5,201	42,882	48,083
Public works	137,726	-	137,726
Community and economic development	5,321	-	5,321
Other governmental funds	11,618	-	11,618
Debt service			
Principal	-	3,555	3,555
Interest and fees	-	1,554	1,554
Capital outlay	16,864	11,186	28,050
Total expenditures	280,183	59,177	339,360
Net change in fund balances	(43,174)	29,292	(13,882)
Fund balances at April 1, 2005	524,597	97,508	622,105
Fund balances at March 31, 2006	\$ 481,423	\$ 126,800	\$ 608,223

The accompanying notes are an integral part of this statement.

Moorland Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2006

Net change in fund balances—total governmental funds: \$ (13,882)

Amounts reported for governmental activities in the Statement of Activities are  
different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement  
of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (22,424)	
Capital outlay	<u>21,270</u>	(1,154)

Repayment of principal on long-term debt is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the Statement of Net Assets.

3,555

Change in net assets of governmental activities		\$ <u><u>(11,481)</u></u>
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The accompanying notes are an integral part of this statement.



Moorland Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Current Tax Fund  
March 31, 2006

ASSETS

Cash and cash equivalents

\$ -

LIABILITIES

Due to other governments

\$ -

The accompanying notes are an integral part of this statement.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Moorland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected five-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund provides fire protection service for the community.

Additionally, the Township reports the following fund types:

The Fiduciary Fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following February 15 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$34,100,000. The ad valorem taxes levied consisted of 1.1398 mills for the Township's operating purposes and 2.5000 for fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	3-20
Fire equipment	5-30

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$373,884 of the Township's bank balance of \$560,284 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	150,137	8,957	-	159,094
Furniture and equipment	7,500	6,711	-	14,211
Fire equipment	388,686	5,602	-	394,288
Total capital assets, being depreciated	546,323	21,270	-	567,593
<b>Less accumulated depreciation:</b>				
Buildings and improvements	111,244	2,271	-	113,515
Furniture and equipment	235	1,837	-	2,072
Fire equipment	155,654	18,316	-	173,970
Total accumulated depreciation	267,133	22,424	-	289,557

Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE D—CAPITAL ASSETS—Continued**

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:—Continued</b>				
Total capital assets, being depreciated, net	\$ 279,190	\$ (1,154)	\$ -	\$ 278,036
Capital assets, net	\$ 301,690	\$ (1,154)	\$ -	\$ 300,536

**Depreciation**

Depreciation expense has been charged to functions as follows:

General government	\$ 2,069
Public safety	20,355
	<u>\$ 22,424</u>

**NOTE E—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2006.

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006	Due within one year
<b>Governmental activities:</b>					
Installment purchase agreement	\$ 25,242	\$ -	\$ 3,555	\$ 21,687	\$ 4,209

The installment purchase agreement requires monthly installments of \$464, including interest at 7 percent; final payment due August 2010.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2006 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2007	\$ 4,209	\$ 1,359
2008	4,513	1,055
2009	4,840	728
2010	5,190	378
2011	<u>2,935</u>	<u>48</u>
	<u>\$ 21,687</u>	<u>\$ 3,568</u>



Moorland Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE F—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MMTP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MMTP for its insurance coverage. The MMTP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**NOTE G—PENSION PLAN**

**Defined Compensation Plan**

The Township provides pension benefits for all elected employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires a 10 percent contribution of qualified payroll. The Plan is administered through Symetra Financial, an independent third party. The board members are not required to contribute to the Plan. For the year ended March 31, 2006, pension expense was approximately \$4,200. Board members did not contribute to the Plan.

**NOTE H—ECONOMIC DEPENDENCY**

State of Michigan shared revenues are 51 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Moorland Township  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 48,784	\$ 48,784	\$ 49,764	\$ 980
Licenses and permits	16,000	16,000	6,856	(9,144)
Intergovernmental revenues				
State	121,000	121,000	120,850	(150)
Local	22,000	22,000	34,474	12,474
Charges for services	1,500	1,500	1,540	40
Investment earnings	5,000	5,000	13,646	8,646
Other	1,900	1,900	9,879	7,979
Total revenues	<u>216,184</u>	<u>216,184</u>	<u>237,009</u>	<u>20,825</u>
EXPENDITURES				
Current				
General government				
Township Board	72,200	73,700	20,331	53,369
Supervisor	13,250	13,250	12,972	278
Elections	2,600	3,350	697	2,653
Assessor	11,800	12,300	12,059	241
Clerk	23,350	23,550	21,374	2,176
Board of review	1,000	1,000	700	300
Treasurer	18,250	18,250	16,526	1,724
Buildings and grounds	12,500	12,500	11,310	1,190
Cemetery	7,850	7,850	3,871	3,979
General administrative	3,000	4,500	3,613	887
Public safety				
Inspections department	15,800	15,800	5,201	10,599
Public works				
Roads	172,500	172,500	119,709	52,791
Street lights	6,000	6,000	6,243	(243)
Sanitary landfill	10,000	10,000	6,774	3,226
Drains	5,000	5,000	5,000	-
Community and economic development				
Planning commission	3,500	3,500	1,471	2,029
Zoning	5,000	5,000	3,850	1,150
Other governmental functions				
Social security	2,000	2,000	1,964	36
Insurance and bonds	6,000	6,000	4,167	1,833
Pension	5,000	5,000	4,447	553
Contingencies	12,000	5,550	-	5,550
Other	1,200	1,200	1,040	160
Capital outlay	16,500	18,500	16,864	1,636
Total expenditures	<u>426,300</u>	<u>426,300</u>	<u>280,183</u>	<u>146,117</u>
Net change in fund balance	\$ <u>(210,116)</u>	\$ <u>(210,116)</u>	(43,174)	\$ <u>166,942</u>
Fund balance at April 1, 2005			524,597	
Fund balance at March 31, 2006			\$ <u>481,423</u>	

Moorland Township  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**

Fire Fund  
For the year ended March 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 77,316	\$ 77,316	\$ 85,531	\$ 8,215
Investment earnings	408	408	627	219
Other	204	204	2,311	2,107
Total revenues	<u>77,928</u>	<u>77,928</u>	<u>88,469</u>	<u>10,541</u>
EXPENDITURES				
Current				
Public safety	60,884	60,884	42,882	18,002
Debt service				
Principal	3,600	3,600	3,555	45
Interest and fees	1,600	1,600	1,554	46
Capital outlay	14,800	14,800	11,186	3,614
Total expenditures	<u>80,884</u>	<u>80,884</u>	<u>59,177</u>	<u>21,707</u>
Net change in fund balance	\$ <u>(2,956)</u>	\$ <u>(2,956)</u>	29,292	\$ <u>32,248</u>
Fund balance at April 1, 2005			<u>97,508</u>	
Fund balance at March 31, 2006			<u>\$ 126,800</u>	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 17, 2006


Township Board  
Moorland Township  
Ravenna, Michigan

In planning and performing our audit of the financial statements of Moorland Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Moorland Township's ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLLC". The signature is written in a cursive, flowing style.

## REPORTABLE CONDITIONS

Recommendation 1: The Township Board should approve all expenditures.

During our testing, we noted that cash disbursements are not approved by the Township Board. The State of Michigan requires that all cash disbursements be approved by the Township Board.

We recommend that all expenditures be approved by the Board prior to the release of checks. It may also be advisable for the Township to adopt a policy authorizing the payment of specific bills that may be received and payment due prior to the next scheduled Township Board meeting.

Recommendation 2: The number of cash transfers should be reduced.

During our testing, we noted that a large number of cash transfers were made between cash accounts during the year. It appears various accounts are being used to maximize investment earnings, and cash funds are transferred to the checking account on an as needed basis. However, this has resulted in a large number of transfers occurring which can provide for the opportunity for errors and possibly misappropriations to occur.

We recommend that the number of transfers be reduced, and that the Township investigate other possible bank accounts that may provide investment earnings and reduce the number of cash transfers.